

CAPITAL FINANCING PROGRAM (CFP)

Loan Application Package **School Construction Financing Program**

North Dakota Municipal Bond Bank

Bismarck, North Dakota

**North Dakota Municipal Bond Bank
School Construction Financing Program**

Explanation of Application Review and Approval Process

Enclosed with this explanation is the Bond Bank's application for a loan through the School Construction Financing Program (the "Program") and the general guidelines for the Program.

Upon receipt of the application and if we have not already done so, the Bond Bank will prepare and send you a preliminary amortization schedule which will set out the amount of principal and interest payments you will be making over the term of the loan. The interest rates will be based upon the current market rates and will be subject to change. The application will then be subject to an initial credit review by the Bond Bank and will also be reviewed by Evensen Dodge, Inc., the Bond Bank's financial advisor, who will provide the Bond Bank with a market analysis concerning the benefits afforded to your school district under the program.

Following these reviews, the application and the analysis will be submitted to the Bond Bank's Advisory Committee for a recommendation to be made to the Industrial Commission. They must give approval for all Bond Bank loans.

If the Industrial Commission approves your loan request, you will work with your bond counsel in the preparation of the loan documents that will be needed for the loan closing. The Bond Bank will also schedule and prepare to issue a series of Program Bonds, the proceeds of which will be used to make the loan by purchasing your bonds and the bonds of other school districts that are participating in the Program. The final interest rates on the municipal bonds will be set when the Program Bonds are sold. A final amortization schedule will be prepared following the sale of the Program Bonds when the loan closing date is set. Your municipal bonds and bond resolution, together with other closing documents you and your bond counsel are responsible for preparing, will be delivered to the Bond Bank. The Bond Bank will deliver the loan proceeds to you on the closing date.

The bond resolution adopted by the school board will include, among other things, a provision stating that the district agrees that state aid payments may be withheld and paid to the Bond Bank by the superintendent of public instruction if the district has not made, or if it appears that the district will not make, a scheduled payment on the municipal bonds issued by the district to the Bond Bank for the loan. Although the Bond Bank does not anticipate ever taking this step, this provision is required because the Program's credit rating is based in large part on this requirement.

The costs to you for the financing will include, in addition to interest and principal payments, an administrative fee, which will represent your pro rata share of the costs of issuing the Program Bonds; an additional administrative fee which will represent a fee paid by the Bond Bank to the Bank of North Dakota for a letter of credit in the amount required by law for the Bond Bank's reserve fund; bond counsel fees; and any other fees or expenses you may incur. There will also be an underwriters discount, a cost associated with the sale of the Program Bonds. The administrative fees and the underwriters discount will be deducted from the loan proceeds.

Please take the above fees and costs into account when you calculate the requested loan amount. We will provide you with more specific information concerning these amounts when the application is received if we have not already done so.

You will be responsible for retaining bond counsel to represent you in this transaction and for negotiating the fees for that service. If you have not worked with an attorney as bond counsel, here is a list of the in-state firms who are recognized bond counsel:

Arntson & Stewart
51 Broadway, Suite 603
PO Box 789
Fargo, ND 58102
701-280-0195

Ohnstad Twichell
901 13th Avenue East
PO Box 458
West Fargo, ND 58078-0458
701-282-3249

Cook Wegner & Wike PLLP
Kirkwood Office Tower
919 S 7th St., Suite 207
Bismarck, ND 58504
701-255-1008

Steven L. Vogelpohl
Wells Fargo Bank Building
400 East Broadway, Suite 501
PO Box 2399
Bismarck, ND 58502-2399
701-258-9847

Dorsey & Whitney
Dakota Center
51 North Broadway, Suite 201
Fargo, ND 58107-1344
701-235-9969

You should retain the services of bond counsel as soon as possible so that firm or person will be able to assist you and your local counsel with respect to necessary action to be taken by your governing body concerning the municipal securities you will issue and sell to the Bond Bank to evidence the loan and in answering any questions you may have concerning the loan and the Program.

Your governing body should also adopt an appropriate resolution authorizing the undertaking and addressing other matters with respect to the nature of the financing method to be utilized as soon as possible. Your bond counsel can draft an appropriate document and can provide us with a copy of the executed resolution.

Please call us if you have any questions or need any additional information concerning the application or the review process.

**North Dakota Municipal Bond Bank
School Construction Financing Program**

Program Guidelines

1. A school district's construction project must be reviewed and approved by the Department of Public Instruction, as provided by N.D.C.C. § 15-35-01.1.
2. A school district must issue general obligation bonds under chapter 21-03 for the construction project.
3. A school district must make regular sinking fund deposits starting with the first month tax revenues are available. The amount of the deposits will be determined based upon the loan amount and the annual debt service (principal and interest) amounts.
4. The amount of state aid payments expected to be received from the Superintendent of Public Instruction each year by the school district, based upon past and expected appropriations, must be at least 2.0 times the average annual debt service amount.
5. A school district participating in the program may not issue additional bonds subject to state withholding and intercept without the approval of the Bond Bank and without demonstrating that state aid payment coverage will be at least 2.0 times the combined average annual debt service payment amount (the Bond Bank loan and the additional debt).
6. A school district's debt service payment schedule will be structured in a manner so that the amount of state aid payments remaining to be distributed during any year following the principal payment date will always be in excess of the debt service payment amount due on that payment date.
7. A school district must provide written acknowledgment that the state aid withholding and intercept is effective with respect to the Bond Bank loan, and that the Bond Bank may activate the withholding and intercept if sinking fund deposits and loan payments are not made as agreed.
8. To the extent permitted by law, a school district must waive all legal rights to institute any action contesting the use by the Bond Bank of the state aid withholding and intercept provision.
9. A school district's debt service payments to the Bond Bank will be scheduled to be due 30 days prior to the due dates for the Bond Bank's bonds issued under the Program.
10. The Bond Bank must be named paying agent by the school district. The Bond Bank, as paying agent, will be required by its Program bond resolution to immediately notify the Superintendent of Public Instruction if the school district fails to make a scheduled sinking fund payment.

**SCHOOL CONSTRUCTION FINANCING PROGRAM
LOAN APPLICATION**

**NORTH DAKOTA MUNICIPAL BOND BANK
700 EAST MAIN AVENUE
PO BOX 5509
BISMARCK, ND 58506-5509
PHONE: 800-526-3509
(701) 328-7100
FAX: (701) 328-7130
E-MAIL: ndmbb@state.nd.us
WEBSITE: www.state.nd.us/bondbank**

This Program application must be accompanied by copies of the following:

1. The District's most recent month-end balance sheet.
2. The District's three most recent annual audited financial statements.
3. The District's three most recent annual financial reports submitted to the Department of Public Instruction.
4. The District's request to DPI for approval of the project, including the approved facility plan.
5. The District's school construction loan application submitted to DPI (if applicable).

Requested information which appears in the district's financial statements or reports may be incorporated by reference.

Upon receipt and review of the application, the Bond Bank may request additional information or an explanation or clarification of the information provided in or enclosed with the application.

School District: _____

Date Submitted: _____ / _____ /20____

Date received (Bond Bank): _____ / _____ /20____

A. GENERAL

1. Federal Tax Identification Number: _____

2. Contact Persons:

Superintendent: _____

Business Manger: _____

Mailing Address: _____

Telephone Number: _____

Fax: _____

School District's Local Counsel: _____

Address: _____

School District's Bond Counsel: _____

3. Does the School District have a Capital Improvement Plan or Program?

Yes ____ No ____ If yes, please include a copy with the completed application.

4. Has a feasibility study for the proposed project been conducted?

Yes ____ No ____ If yes, please include a copy with the completed application.

5. Has the school district examined other financing alternative such as the state school construction fund program or the direct public sale of the bonds? Yes ____ No ____

If yes, please list the alternative which have been considered and why they were rejected or whether they are still under consideration. (attach a copy of any written proposals received or provide a brief description of the alternative considered below)

a. _____

b. _____

B. PROJECT INFORMATION

1. Amount of loan request: \$ _____
2. Please describe the source of funds for the repayment of principal and interest on the proposed financing (i.e., general obligation tax, building fund levy): _____
3. Total project costs, including the requested loan amount and funds from all other sources: \$ _____
4. If funds from other sources will be used, please indicate the sources and the amounts:

Sources

Amount

5. Please indicate the dates on which construction of the project is scheduled to commence and be completed:

Construction will begin _____

Construction will be completed _____

6. If the purpose of the requested financing is to refinance an outstanding obligation, attach a copy of the authorizing resolution and the debt service schedule for the obligation to be refinanced.
7. Number of years requested for repayment of the loan: _____

Note: A preliminary debt serve schedule will be prepared for the school district based upon the requested loan amount and repayment term. The interest rates used to prepare this schedule will be based upon current market rates at the time the application is received and will be subject to change. The schedule will also include a list of anticipated costs, which will also be subject to change. The final interest rates and costs will be set when the Program Bonds are sold to obtain the loan funds.

C. OUTSTANDING INDEBTEDNESS

1. Present Indebtedness. Please list or attach a debt service schedule for the existing debt of the school district. **Be sure to include all general obligations, building fund G.O. bonds, asbestos removal or ADA remodeling go bonds, certificates of indebtedness and any lease obligations.** If you need more room for listing the requested information, please do so on a separate attachment. You may also reference the appropriate pages in your most recent annual financial statements included with this application.

Year Issued	Purpose	Type of Bond	Initial Amount	Outstanding Balance	Avg. Annual P&I Payment Amount	Final Maturity Date

Please list any available sinking funds already deposited and pledged to the payment of principal and interest on the outstanding obligations listed above.

Sinking Funds:

Issue Identified by
Date and Purpose

Sinking Fund
Amount

2. Anticipated Indebtedness. Please list on a separate attachment any known future indebtedness of any type, including lease financing, which the school district intends to issue or incur in the next twenty-four months. Include in the description the type of debt, estimated amount and the final maturity.
3. Defaults. If the school district has ever defaulted in the payment of principal or interest on any of its outstanding indebtedness, please attach a written description of the default and any corrective measures taken by the school district.

D. ECONOMIC AND SOCIAL INFORMATION

1. Population of political subdivision:

2000 _____ 1990 _____ 1980 _____

2. School enrollment for the current school year and the past four school years, and projected for the next two years.

<u>School Year</u>	<u>Elementary</u>	<u>Junior High School</u>	<u>High School</u>	<u>Total</u>
_____ *	_____	_____	_____	_____
_____ *	_____	_____	_____	_____
_____ *	_____	_____	_____	_____
_____ *	_____	_____	_____	_____
_____ **	_____	_____	_____	_____
_____ ***	_____	_____	_____	_____
_____ ***	_____	_____	_____	_____

*Past four years

**Current year

***Projected next two years

3. List the three largest employers within the boundaries of the political subdivision, if such information is available.

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Please describe any significant changes concerning major employers within the boundaries of the school district during the past twenty-four months:

5. Number of tax-paying residences within the boundaries of the school district: _____

(The Bond Bank will obtain the following information from the county auditor)

E. TAX INFORMATION

1. Taxable valuations (current year and previous four years):

Year	Full and True Valuation	Taxable Valuation

2. Property tax levies and collections (current year and previous four years):

Levy Year	Dollar Amount Of Levy	Amount Collected as of _____, 20__	Percentage Collected

3. Taxable valuation within the District:

Residential: \$ _____ Commercial: \$ _____
Agricultural: \$ _____ Utilities: \$ _____

Have any of these figures been adjusted to take into account the discount allowed for the early payment of taxes? Yes _____ No _____

If yes, please describe the manner in which the figures have been adjusted:

4. Please list the three largest taxpayers as determined by taxable valuation and their most recent valuation:

Name of Taxpayer	Type of Business	Taxable Valuation
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

5. School district mill levies (current year and previous four years):

Fund	Current	Prev 1	Prev 2	Prev 3	Prev 4
Totals for each year					